

Savings for Ontario School Boards

As the pandemic lockdown lengthens, and looks to continue for much of the rest of the year, the Energy Board has started to experiment with virtual hearings and other remote activities. It now looks as if the in-person component of energy regulation may be delayed until 2021. However, applications are continuing to be reviewed. Several significant decisions, including Hydro One Transmission for 2020-22, have been released. In total SEC was able to achieve \$7.3 million of savings for schools in this quarter.

There is still a pent-up appetite for utility rate increases, so utilities are once more starting to file. Next quarter should see the OPG 2022-2026 application, likely the largest in Energy Board history (again), as well as applications by Alectra, Oshawa, North Bay, and others. Two other matters will likely come up: the start of applications by utilities to recover losses arising out of the pandemic (could be a lot of money), and the negotiations (potentially hearings) dealing with the 2022-2027 gas conservation

ONGOING MATTERS - NATURAL GAS

Enbridge Gas 2020 and 2021 Rates. As expected, the extra capital spending by Enbridge in 2020 has been approved. Now an application has been filed for 2021, with further capital-driven rate increases planned. The details of that capital plan will be provided in the fall.

Enbridge Court Appeal. Enbridge appealed its 2019 rate decision to Divisional Court, seeking to overturn an Energy Board decision that its 2019 rates be effective April 1st of that year, rather than January 1st. In the end, the Court accepted the arguments led by SEC that the Energy Board decision should be upheld. This **saved schools an estimated \$100,000** (and all customers together \$5 million) for those three months. It may also have established a key legal precedent.

Enbridge Conservation. The Energy Board has approved the extension of the Enbridge DSM (conservation) programs to the end of 2021, on the terms supported by SEC. Now the regulator turns to establishing a new DSM framework for the next

six years, 2022 to 2027. At issue will be spending expected to top \$1.5 billion, of which \$3-5 million per year would be included in the rates charged to schools.

SEC has in the past often been the bridge between the customer groups, who focus on controlling rate impacts, and the environmental groups, who want more aggressive (and expensive) programs. The longstanding pro-conservation position of school boards allows SEC to help others find common ground.

While the process was delayed by the pandemic, it is now expected to ramp up again in the fall, with a new framework and DSM plan in place by next summer.

Enbridge Hamilton Expansion. Enbridge planned to spend more than \$200 million on a pipeline expansion in the Hamilton area, but faced probing questions from environmental groups, SEC and others. Then the pandemic hit, and Enbridge paused the project for six months to re-evaluate its need and timing.

SEC's goal for this application is to ensure that customers like schools are not left on the hook, paying for long-term capital assets that are no longer needed when fossil fuel burning is less prevalent.

Enbridge "Environmental" Initiatives. In addition to its DSM programs, Enbridge is now seeking a number of approvals from the Energy Board for what can loosely be described as environmental programs. These include gas from waste, hydrogen injection into the system, and managing demand to reduce capital spending. These are being pursued in parallel with expansion proposals that would increase the burning of natural gas in Ontario.

SEC's strategy in all of these proceedings is to ensure that smaller green projects do not divert the utility's focus from the main goal in this area: overall reduction of emissions.

ONGOING MATTERS - ELECTRICITY

Hydro One Transmission 2020-2022. Hydro One sought transmission rates that would have resulted in large increases for schools and others. SEC counsel Mark Rubenstein led the customer groups in opposing an overly expensive capital plan, as well as rate formulae that would have resulted in too much uplift each year. The decision, released in May, provided a win for customers. The rates approved will **save schools \$6.8 million** over the three year period.

Hydro One Mergers. The decision on the applications of Hydro One to acquire the Orillia and Peterborough distributors was released this quarter. As expected, the regulator approved the two transactions, but did so with conditions designed to protect customers. Total savings for the sixty affected schools will end up being **about \$200,000 over several years.**

While SEC continues to believe that Hydro One should not be acquiring more distributors until

they get their own costs under control, the result of SEC's ten year struggle is that Hydro One has to guarantee that acquisitions will not increase rates, failing which Hydro One shareholders will have to eat the difference.

Sudbury Hydro. Greater Sudbury Hydro sought an increase that would have cost the local schools about \$360,000 over the next five years. SEC acted as lead negotiator for the customer groups, and achieved a settlement that will reduce that to about \$160,000, **saving Sudbury schools around \$200,000.**

Hydro Ottawa 2021-2025 Rates. Hydro Ottawa has filed an application seeking rate increases averaging 5.7% per year over five years, with the higher increases in the earlier years. Schools, for example, would pay \$2.3 million more relative to current distribution rates. Increases in commodity costs and transmission costs would be on top of that.

SEC has intervened, and will be an active participant in the proceeding. If a negotiated settlement is not reached during the summer and fall, it is probable a final decision will not be available until early in 2021.

Deferral Applications. In the last couple of years, electricity distributors have been deferring their rate applications because new rules - many of them championed by SEC - could result in downward rate pressure. In general, those deferrals have been OK for schools, because in the absence of a rate application increases are capped well below inflation.

Recently, distributors have sought deferrals, but still requested additional money for their capital plans. SEC has led the charge to resist that approach. Two recent decisions of the Energy Board for Oakville and Burlington have sided with SEC. While the amounts were small (**\$20,000 or so**), SEC participation was more akin to a finger in

the dike. Distributors will now not be as quick to try this new way of getting rate increases.

OTHER MATTERS

Covid-19 Costs. Some utilities are clamoring to have rate increases to cover any extra costs associated with the pandemic, as well as lost revenues from the economic downturn. SEC has been vocal in asking why ratepayers should be saddled with this. A “straw man” proposal is expected from Energy Board staff in September, and the debate will continue in the fall. Although there is no estimate of the impacts yet, the amounts that may be sought could exceed \$1 billion.

Energy Board Restructuring. The government has announced the next step in the appointments for the newly restructured Energy Board. Richard Dicerri had already been appointed as Chair of the Board of Directors. Now, the government has announced that career civil servant Susanna Zagar will be appointed CEO to run the operational and policy sides, and Lynne Anderson, currently one of the adjudicators, will be appointed Chief Commissioner (similar to a Chief Justice). Ms. Zagar is from outside the industry. Ms. Anderson is well known within energy circles. The appointments will proceed in September.

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In conclusion,

OESC is represented by Jay Shepherd who consults regularly with myself and Wayne McNally, who is an advisor to the OESC Board of Directors. It is critical to note that the work of the School Energy Coalition, per OESC, is a respected intervenor at the Ontario Energy Board.

Our work has allowed every school district in the Province of Ontario to avoid significant energy costs. This reality assists with the bottom line to your budget.



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